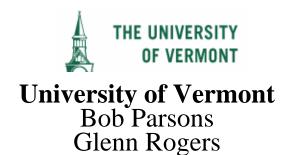
Cost of production: Fiscal year 2005 (with a comparison to 2004)



Results of the USDA Organic cost study





The average farm:

		2005	2004
Number of farms participating		44	30
Average herd size	(# of milking cows)	56	48
Average annual milk shipped	(cwt)	7,401	6,890
Rolling herd average	(annual lbs. shipped/# of milking cows)	12,619	14,060

The average farm's revenue:

(\$/cwt)

	2005	2004
Milk	\$24.94	\$22.97
Animal sales	\$1.29	\$1.08
Crop sales	\$0.19	\$0.11
Other revenue	\$1.78	\$1.67
Total cash receipts	\$28.21	\$25.83

The average farm's cash expenses:

(\$/cwt)

			2005	2004
Operating Expenses		_		
	Auto	\$	0.37	0.40
	Bedding		0.51	0.43
	Breeding		0.36	0.36
	Chemicals		0.01	0.02
	Custom hire		0.58	0.37
	DHIA		0.10	0.09
	Fertilizers		0.15	0.07
	Purchased feed		7.41	7.24
	Fuel and oil		0.86	0.68
	Insurance	_	0.63	0.64
	Interest		1.10	1.04
	Hired labor		2.44	2.10
	Marketing		0.42	0.44
	Taxes		0.54	0.54
	Rent		0.43	0.10
	Repairs		1.90	1.31
	Seeds		0.10	0.04
	Supplies	_	1.58	1.36
	Utilities		1.13	0.90
	Veterinary		0.32	0.30
	Medicinal supplies		0.05	0.04
	Miscellaneous		0.55	0.57
Total Cash Expenses		\$	21.55	19.05

The average farm's cash expenses:

(\$/cwt)

	2005	% of cash expenses	2004	% of cash expenses
Operating Expenses				
Purchased feed	\$7.41	34%	\$7.24	38%
Fuel and oil	\$0.86	4%	\$0.68	4%
Repairs	\$1.90	9%	\$1.31	7%
Seeds	\$0.10	0.5%	\$0.04	0.2%
Utilities	\$1.13	5%	\$0.90	5%
Total Cash Expenses	\$21.55		\$19.05	

The average farm's net income and earnings** (\$/cwt)

	2005	2004
Net farm income from dairy operations	\$0.58	\$0.84
Net farm income from operations	\$4.17	\$4.05
Owner withdrawals	\$6.64	\$6.29
Net farm income	-\$2.50	-\$2.24
Off-farm income	\$2.90	\$3.32
Net farm earnings	\$0.40	\$1.08
ROA	-0.52%	-1.56%
ROE	-4.00%	-5.49%

^{**}Net income and earnings include costs and revenues accrued during the year.

The numbers are trying to say that...

- □ Cash revenue from milk sales is up in 2005
- □ Cash expenses are up in 2005
 - Fuel
 - Repairs
 - Utilities
- □ Increase in costs off-set increase in revenues
- □ Including the owner withdrawal for management and labor of \$35,000, 64% of the farms report a negative net farm income